[music] Voice Over: Welcome to the REI Diamonds Show with Dan Breslin, your source for Real Estate Investment Jewels of Wisdom.

Dan Breslin: Welcome to the REI Diamonds Show. I'm your host, Dan Breslin. This is episode one hundred and ninety-five on Passive Investing in Apartment Syndications with Camilla Jeffs.

If you're into building wealth through real estate investing, you are in the right place. My goal is to identify high-caliber real estate investors and other industry service providers, invite them on the show, and then draw out the jewels of wisdom, those tactics, mindsets, and methods used to create millions of dollars and more in the business of real estate.

Camilla Jeffs is the founder of Steady Stream Investments, a company focused on providing investment opportunities in large multifamily and senior housing communities.

When you're investing in syndications, choosing the right operator is as important, if not even more important, than selecting the right market or asset. While you're technically investing into an apartment deal, you're really investing in the people who are running the deal. It's probably obvious. But by this line of reasoning, your ability to select profitable investments hinges on your ability to select the right people with whom you will invest.

Camilla brings her background, her experience in the corporate HR world, her ability to select professional talent to the apartment syndication investing business. She also acts as a general partner on her deals. We double click on her investment team, selection process, favorite asset classes, and markets to invest and more during this episode.

Let's begin.

All right. Welcome to the REI Diamonds Show, Camilla. How are you doing today?

Camilla Jeffs: I'm doing great, Daniel. Thank you so much for having me on.

Dan: Yes. Absolutely. I know a little bit about you. But for anybody who may not recognize the name, could you kind of go through - we'll call it - the origination story?

What did you do before real estate? How did you find real estate? How did real estate investing evolve into Steady Stream Investments in your business model today?

Camilla: Yes. Perfect. I started real estate investing when I was quite young. I got my first property at the age of twenty-two. It was a house hack that we did.

We didn't know about it. It wasn't a cool term back then, house hacking. We just figured out we want to own our own place, but we didn't have enough money to own our own place, basically.

So we bought a home that had a basement apartment in it. We rented it out. It worked out perfect. We only paid about one hundred dollars a month in rent to live there. It even had a pool in the backyard. It was so cool.

Dan: Nice.

Camilla: That's when I think I really started thinking, "Okay. There's something to this real estate thing. Let's see what else we can do." I started reading a whole bunch of books, trying to figure out what else we could do in real estate.

From there, we tried the live-in flip method where you buy a fixer upper. You move in, because you can get really great financing. You don't have to put much money down. It's the best financing, right? You live in a construction mess for a while. You fix it up. Move out. Either rent or sell it at that time.

That's how we acquired a bunch of properties. We did that for about fifteen years. We did a small multi in there, too, launched a property management company in all of that.

But about fifteen years into the journey, I was itching for something bigger. I had always owned an apartment complex on my vision board. I distinctly remember I was in Atlanta at that time. I'm riding the train to work. I'm thinking, "Okay. It is time. You got to figure out how to own an apartment complex."

I pulled up my phone, looked at my bank account. I'm like, "Ah, yes. There's not much money in there to be able to buy an apartment complex." I knew they costed millions of dollars. I never bought anything in the million-dollar range before in my investing journey.

I was perplexed. How in the world do you buy an apartment complex? Well, little did I know, you don't really buy it on your own, right? Most apartment complexes are bought as group investments.

I was intrigued by that idea but also worried. Because I was that kid in high school, when a group project was announced, I was like, "No." Because that meant I'm going to have to do all the work. The other kids in the group were like, "Yes. Camilla's on my team. Yes. I don't have to do anything," right? Group projects just never went well for me.

So then I'm thinking, "Well, group investing, that's even higher stakes, because that's my money and my time. How's that going to go?" It took a fair bit of mindset shift for me to be able to be comfortable in the partnership arena.

As I'm looking at apartment investing, I figured maybe the best step for me was to join a syndication. It was just a fancy word for group investing, and do that as a limited partner, meaning I'll just simply invest my money.

We had sold a couple of our single-family properties. We took that money. We rolled it into a multifamily syndication. I distinctly remember being freaked out about that, too, like "What? I'm just going to give over fifty-thousand dollars to someone else. Just cross your fingers. Close your eyes. Okay. Hope it goes well." I mean I did some due diligence, right? It wasn't that willy-nilly.

It did feel a little bit nerve-racking. But after I transferred the money and you've gotten to the deal, I was looking at it. I'm like, "Wow. This is amazing." Because the returns on this deal are better than some of the returns that I made on some of my single families. I couldn't believe that I didn't have to do any of the work. I didn't have to find it. I'd didn't have to negotiate it. I didn't have to use my muscles. I didn't have to use my brain, my time, my energy. I just simply made my money do the work instead of myself.

I was blown away. I loved it so much. That's why I launched Steady Stream Investments to teach other people the power of investing passively into a multifamily syndication.

Steady Sure Investments is all about education. It's about educating people about how to get involved especially the first-time passive investors. I like to specialize in helping them get into a multifamily syndication for the first time, because I know it's nerve-wracking. I remember when I did it. I like to teach others how to do it. That's what I'm doing today.

Dan: Nice. Nice. I like the progression, the full story there.

Let's go back to twenty-two. We're doing a house hack. I hear you tell the story. I remember I was twenty, twenty-one, twenty-two. One of my friends bought a house, a hundred-thousand-dollar house, probably. I was like, "Man, I wish I could buy a house." I didn't understand the three percent down financing. I had trouble holding a job for two years. I was kind of young and dumb and not as disciplined as perhaps I am today.

A lot of investors kind of sound like, "Use nice, steady progression. We're building up the assets. The assets have grown in value." Or, "Manage them."

For me, I didn't really have that, because I didn't have much to come from like a professional career. I was a car sales guy that bounced around and stuff and was not really bankable.

When I got into business in 2006, I talk about this to anybody who asks me a question. I go, "How did you get to where you're at today Well, I did it by becoming a source of deals. I was going to vet more deals. I was going to make more offers. I was going to get a contract signed. I was going to be the source of deals that could then assign a deal, make a little bit of money, fund the deal and flip the deal, make more money, maybe JV on a flip, have someone else do the work of the flip, make half of a lot more money than I would have made on a wholesale deal."

I am a real estate agent now. But I was not fifteen, sixteen years ago when I got in. But even a real estate agent, being the source of deals, figuring out how to kind of get that rolling is so critical to my own success.

But I want to highlight that what you did at twenty-two is something that I did the math in my head but couldn't figure out how to get it put together. It's such a cool thing. Wow, a hundred bucks a month to live there. I think I was paying seven hundred and fifty to rent and getting nothing for it.

Then you fast forward a little bit. You, guys, actually still have the property management business? Or have you now decided that for the rentals, it's time to get rid of and solely on this?

Camilla: Yes. We fully transitioned into large multifamily now. We sold off all of our single families and small multis and now are just simply doing large multifamily.

Dan: Nice. What market was at in, Camilla?

Camilla: We moved around a lot. We started out in Northern Utah. It's where we acquired the most of our properties. Then we moved to Indiana. We acquired a couple properties in Indiana as well.

Now, we live in Texas. Our multifamily properties are in Arizona where we also used to live. We just move all around the country. Arizona and Oklahoma are our latest acquisition.

Dan: Okay. Do you do anything else besides real estate these days?

Camilla: I do. I still have a W2 job. Yes. I work in HR and supporting tech companies.

Dan: Nice. That's interesting. I don't see many guests who do have the W2. Everyone is so happy to go and quit. I think there's so much to be said for hanging onto it being bankable, having a steady stream of income even from the W2.

I know we're pitching the passive thing. But there's a lot to be said to not have to rely on real estate investments to eat and have the investments be with [inaudible] which is kind of investments. You reach a certain point of capital that the capital investments can replace the W2 and cover all the bills every month.

I don't know. I guess I see a lot of people - probably myself included - who are like, "Ah, burn the boats. Quit. We're done. We're moving on to something else."

Do you, guys, syndicate and operate as a general partner? Are you, guys, kind of aligned with a general partner and select different investments with different general partners? What's the structure look like?

Camilla: Yes. The structure is that I partner with lead sponsors. We kind of lead sponsors. There's typically one partner who is the lead of the whole deal.

My job is to find those and find the strong partners, vet the deals, then bring them to my investors. I do join as a general partner. Because of my experience in property management, I help run the asset management on the deals as well after it closes.

That's kind of how the structure works for my company.

Dan: Okay. About how long has it been since you transitioned to the larger multi-families?

Camilla: About two and a half years [crosstalk]. Yes.

Dan: Nice. Why Phoenix, Arizona as a market? How did you select that? I imagine you looked at more than one apartment deal before you said, "Aye, Phoenix is going to be the winner."

Camilla: Yes. Yes. Phoenix has really great market fundamentals. When we're looking at a market and we're evaluating where we are going to invest, we look for a couple of things.

One is population growth. Are there more people coming in than moving out? Phoenix, Arizona has one of the highest population growth rates in the country. It's constantly in the top ten.

Second one is job growth, right? How do you sustain population growth by job growth? There are lots of companies coming in. Arizona is a very business-friendly state. They always want more businesses coming in.

Number three, we're looking for strong fundamentals in what's the tenant base look like? Where are they working? What are the jobs, the diversity of jobs, right? We don't want to be in a market where everybody is relying on Amazon, for example. Maybe Amazon's the only company in that city. What happens if Amazon dies? Well, okay. Amazon's never going to die. It's taking on the world.

Dan: Hey, there are no circus. [inaudible] is gone. I mean you got some really--

Camilla: Yes. There you go.

Dan: -- great companies there growing. Yes.

Camilla: Blockbuster, right?

Dan: Correct.

Camilla: We have to be careful of that. Job diversification is also huge.

The Phoenix area has those three just very strong fundamentals, very strong markets. The growth there is amazing. I mean it's funny. We always call it a hot market. It is literally a hot market. I lived there for two years and about died.

But people love Phoenix. They love coming there. They love living there, just a really fantastic market.

Dan: Not a real estate story, but one of my mentors, Dan Kennedy, would tell the story of - I think he's from Ohio originally. It's cold in Ohio. I'm in Chicago. I look out the window at Lake Michigan here. It's cold in the wintertime.

He said, "It's funny. You know, we're at these seminars. Here, people are always complaining and bitching about how cold it is here." This is Dan saying it. Dan Kennedy, when he moved to Phoenix, Arizona for a while, I said - the people at the seminar are there - "Ah, you're so lucky.

You get to be here in the wintertime. It's so nice," and everything like that.

He said, "You know, if you go out, these things are called highways. They have signs. They'll tell you how to get out of town. You're not a tree. You can actually move." But then he follows it up with, "Yes. We're lucky. Everyone who moves to Arizona stays there. It's great the first year. Then after a full year or two, they move out, because it's so hot."

Camilla: I know some of the locals there that had been there ten-plus years. I would ask them like, "Man, how do you stay here?" Because we were suffering. They said, "Well, it took me ten years to acclimate. But I like it." "Okay. That's great. Ten years is great."

But it is very very nice in the winter for sure. I think a lot of the appeal is the winters are really nice.

Dan: Got it. I grew up in Philadelphia. Philly was more of a go-to-Florida. It's like Clearwater, Florida. The Philadelphia region, the East Coast, New York is kind of there. When I moved to Chicago, everyone's like, "Oh, yes. It's Arizona." Arizona is kind of the Midwest warm.

But I'm sure people go from Chicago to Florida, too. But I never really heard people going from Philadelphia to Arizona. It's kind of like, "Guys, there's no water there. What are you going there for?"

Camilla: We had a neighbor who was from New York. They spend their summers in New York and winters in Arizona.

Dan: Yes, [crosstalk].

Camilla: If you study the migration reports, it's very clear migration is happening from north to south, right? The markets like Arizona, the Texas, the Florida, the Carolinas, those markets are all blowing up in terms of population growth and job growth as well, because people are preferring to be warm, I guess.

Dan: Yes, that and probably the taxation structures of like our New York State, Chicago, Illinois. The older the inventory there, it's definitely a different type of regulatory body when it comes to big businesses wanting to move there.

On the flip side, I guess, Chicago, Philly, and New York offer some of those big companies like a talent pool at this whole other level than places that don't have the large population growth.

We just went into Phoenix for single-family deals ourselves. We have one under contract so far. We've done--

Camilla: Nice.

Dan: -- a hundred eighty-six in the Chicago and Atlanta and Philly. We're already half for the year. It sounds like a very small entry so far, very hot market. But four point five million people in Maricopa County, the growth rates are kind of phenomenal. The appreciation rates are absolutely scary looking back over the last year or two. Who knows if we can continue or not? It probably will. It's probably becoming a mini-California type of a market if I had to guess but, yes, exciting stuff.

Let's talk returns, right? Apartment syndication deals, what can a passive private investor give? Fifty, hundred thousand dollars? What kind of returns would somebody expect from that size of investment?

Camilla: Yes. I'll take the hundred-thousand example, because it's easy math. Typically, when you think about returns, there's a couple of numbers that you want to keep in mind.

One of those numbers is what's your average annual return, right? A lot of times, that hovers between seventeen and eighteen percent. That includes the sale at the end.

Another important number is what is your cash-on-cash, right? What is your cash-on-cash return going to be? If you put a hundred thousand dollars in, the cash-on-cash return is, say, ten percent. That means you're going to be getting ten thousand dollars a year in cash, right, in distributions. That's cash you can live on. That's income that you can just use. At the end, you'll get an appreciation bump when it sells.

Often, the multifamily transactions, we like to keep them around five years. Five years is a really great time to be able to go in and execute a business plan. We always look for opportunities to add value to it. You can add value to a property in several ways.

One is by increasing the income, of course. It's not always just raising rents, right? I'm not the kind of investor that's just looking for a quick, "Let's raise the rents two-hundred bucks," and kick out the tenants that are there. I'm looking for other more creative ways like, "Could we increase the income by having reserved parking spaces," for example. It's one of the things that we did on a recent property. Tenants love that. They are more than happy to pay ten bucks a month to have a parking space right next to their apartment, right?

Pet rent, right? We can charge pet rent. Pet owners, they love their pet so much. They're not going to get rid of them. They're happy to pay extra to be able to have their pets. Laundry facilities, et cetera.

There's lots of different ways that you can add income. Then take a hard look at your expenses. How can you reduce those expenses? Those are two really important ways to add value to a property.

The business plan takes about one to two years to execute on those main items. Sometimes there's renovating units that are involved in there. You can raise the rents for that, because tenants are typically happy to pay another fifty bucks a month to have a new kitchen, right?

Those other three years are just kind of given the property time to appreciate, right, for the rents to be able to rise a little bit, and for just everything to stabilize, and the property to be good. At the end of that five years, we sell.

An important number that we look at is called equity multiple. The equity multiple means if I put in my hundred thousand dollars, what will that turn into over the course of five years? The most recent one that we just closed on our projections are about a 2X equity multiple, meaning your hundred thousand goes in. At the end of five years, after all is said and done, that hundred thousand has turned into two hundred thousand. So you've doubled your money in five years. I think that's super powerful to be able to double your money in five years in an investment like this.

That's some of the numbers and things that you can expect from an investment.

Dan: Do you, guys, do accelerated depreciation on these on the way in? What would a write-off, I mean, on the one you just closed, hundred thousand that somebody puts in? What's the K-1 tax loss on a deal like that?

Camilla: Yes, of course. We definitely do accelerated depreciation. That's just simply when you go in and you take a property and you say, "Well, carpet does only last five years. The doors are only going to last these many years." Instead of doing straight line depreciation over thirty years, you can accelerate and depreciate stuff early.

Typically, that hovers around the seventy-percent range, right? If you put in a hundred thousand dollars, you can get anywhere from sixty to seventy percent of that back, written off as a tax loss due to the accelerated depreciation.

Dan: Yes. A quick disclaimer, neither of us are tax professionals. We're not giving tax advice, legal advice, or investment advice. We're talking about our own experience. You need to consult those proper professionals if need be.

Camilla: Exactly. Thank you.

Dan: Cool. What are the type of deals you look for? Are we talking about like these were built in the '80s? Are they built in the '90s? Are they built in the '60s? Are we looking to renovate a certain percentage of these units? Is there a preference for newer less-renovation properties? Kind of what's the buy box for you?

Camilla: Yes. For us, we're looking at properties that are a hundred plus units. We want them to be around the Class C range in a Class B neighborhood. Class C just simply means it's like working-class housing. It doesn't have all the bells and whistles. There's no super fancy amenities. But it's in a nice area where if we go in and we do some improvements to the property, it could feel more like a Class B property, a little bit nicer property. We could add some amenities into it as well.

We avoid the heavy lift model, meaning that you buy a property that's only fifty percent occupied, needs a ton of renovation. That's not our model. Our model is one that we are after cash flow. We are trying to buy properties that are cash-flowing from day one. Because my business and my partners, we prioritize cash flow over appreciation.

If we were in the appreciation market, we'd be in California, right? Don't worry about cash flow. Just get that big, giant appreciation check at the end.

But for us, we really prioritize the cash flowing properties which is why we love the Oklahoma market. We love Arizona market as well, because they are very good, strong, cash flowing place.

That's really what we're looking for. It's that cash flow. We're looking for some light value-add, so we can go in, and we can do a couple of things to the property to make it better. But not anything too heavy that's a little bit riskier.

Dan: Does that equate to investors receiving a check in month one, because you avoid the heavy lift? Or is it a month two as opposed to, "There's going to be a year of renovation before we stabilize and can do any distributions." Is that part of the consideration?

Camilla: Yes. That's what we shoot for, right? We shoot for being able to give investors a distribution within that first quarter that we have acquired the property.

Dan: Is it quarterly distributions that you typically run?

Camilla: Yes.

Dan: Okay. The C to B class, I like that. I can't remember where I heard it. It may have been from another guest on the show.

But they said that doing this similar model in a Class B in a Class A area sometimes creates issues where you're trying to reposition the Class A which is maybe a little older and get more of a Class A rent. You're transitioning the Class B to more of a Class A. But some of the challenges that the tenant based that you end up with in a B+ turning into an A property can sometimes have trouble affording the rent, because if they're making the kind of money to afford the Class A, they probably just went across town to the new construction building and had more of a preference toward that style to begin with so that the C to the B is a little bit of a safer model, I guess. Correct?

Camilla: Yes. Yes. I mean my team, we're very conservative, right? Warren Buffett says, "Rule number one, don't lose money. Rule number two, refer to rule number one," right?

That's what we do. We prioritize investor capital. That's why we look for those cash flowing properties that are just going to be that C to B type, nice middle of the road where they will always stay occupied. Because in a down market, everybody who lives in a Class A property has moved down to B; B moves down to C; C moves down to D; D for dump, right? Then in a booming Market, the Ds move up to Cs; Cs move to be Bs; Bs move to As.

You have that sweet spot of those Cs and those Bs that really perform very well and stay occupied nicely no matter what the economy looks like.

Dan: On the deals that you've closed and own so far, what were the biggest risks that you considered when you were having a conversation with a passive investor? What did that conversation look like?

Camilla: Yes. We talk about the risks all the time. I think the biggest risk for a passive investor is just the sponsor team, right? Who's the team? Do they have experience? Can they execute the business plan?

Because you can get a glossy packet that says, "Ooh, you're going to make this much money in five years." But how do you know that you're actually going to make it, right?

Another big risk is is the business plan solid? Is it conservative? Are there metrics in there that are basically ways to make sure that you have a pool of money? I'm trying to say a pool of money there to - reserves, that's the word I'm looking for - have those reserves just in case something goes wrong.

We know that there's always something that's going to go wrong. It's the nature of real estate, right? Things always go wrong. You just have to be prepared to weather those storms and know how to do that.

So when I talk to passive investors about that, we talk about those risks. We talk about just making sure that you feel comfortable with the deal and with the people running the deal. The people running the deal are probably more important than the deal itself.

Dan: Nice. Part of why I always ask the guests like background, what did you do before-- you said HR which I'm trying to connect some dots here.

I'm like, "Okay. You probably have conversations around hiring people which is a really big risk for a business. Probably, this other career outside of real estate was spent gauging risk and selecting the right people."

How important do you think that is for yourself to be able to select the right people? Now, we're talking property manager, the on-site property manager. We're talking contractors. We're talking sponsor teams. How important, if at all, does that skillset transfer over into what you're doing now?

Camilla: I think it's crucial, right, that skillset that I have. I've literally interviewed hundreds, maybe even thousands of people for jobs. I've been able to do that.

From an HR perspective, the thing that I'm looking for is I ask three questions. In any interview that I do for corporate or for real estate, I ask about communication. How's your communication? Tell me about a time when you had a breakdown in communication and how you fixed it?

If your answer is, "Oh, I've never had a breakdown in communication," you're X'd--

Dan: You missed it.

Camilla: -- immediately.

Dan: Yes. You were the brake.

Camilla: Not. No. You're out, right? Then I want to know how you handle ambiguity. That's my second question, right? Tell me about a time that you have faced an ambiguous situation, how you navigated it. Because you're always going to be facing ambiguity. It's the nature of real estate. It's the nature of entrepreneurship. I will need to understand that.

Then I need to understand your why, right? Why do you want to be involved in real estate? Why are you doing real estate? Why is it property manager? Why are you excited to get up in the morning and do your job? If you're not excited to get up in the morning and do your job, maybe I need to find a different property manager who has passion, because the people who have passion behind what they do perform so much better and so much higher than those who are just kind of checking the boxes and just getting through their day.

I look for things like that. That's been that's been very helpful in my success to find the right partners, find the right sponsors, and to find all the right people that it takes to take down one of these big multifamily deals.

Dan: Are these the same three questions that you would ask in hiring somebody on behalf of your own or another company outside of real estate, too? Is that where that originates?

Camilla: Yes. Absolutely. Mm-hmm. Yes. Over time, those are the three that I've whittled down to be the most important and the most important indicator of success really in any job, right?

You know, if they're interviewing for technical position, of course, the tech team will evaluate their skills, right, those skills. But for me, I'm looking for their emotional skills, their soft skills. Just where are they in their heads, because that's a huge indicator of whether they'll be successful or not.

Dan: How often in the real estate context are you having this interview process where the answer is a no? What percentage, if you had to guess? Is it fifty-fifty or eighty-twenty, eighty or a pass? What would be the ratio of people that get accepted for whatever you're interviewing them for?

Camilla: The pass rate?

Dan: Yes. Exactly.

Camilla: That's a great question. Now, I have to think through this. It's not super high, right? I think a lot of that is because I approach things pretty carefully, too. I want to make sure I understand you as a person and how you go. But maybe twenty percent pass.

Dan: That's where probably it should be. My rental properties are not my main source of income. I have property managers in place. I have not probably taken the pass and dug in and spent the time evaluating ten to get to the best two. My evaluation was probably four to get to two. These are good people that I have. They adjust. They modify. There's probably better people out there. I still have to dig in and kind of do my own qualifications there on that stuff.

I'm not saying I'm sloppy on my management. But I think that it's something that I pay more attention to. We got to be discarding eighty percent, paying a little closer attention as the number of units grows and as the business, the rents, etcetera are all that grow and me personally, as a manager of my managers, grows, too.

But that is very, I think, good for people to hear that the pass rate is eighty percent. Is the pass rate the same now in the HR context when you're hiring for any company for any position? Is that also a twenty percent pass? Or is it even less than that?

Camilla: It's probably similar. It's probably similar there. I think in a corporate context though, I don't see them until the very end. I'm kind of the last person that they have to get through.

By the time they get to me, I'll pass them along probably eighty percent of the time rather than its opposite twenty percent in real estate for me right now. Because I know they've already been through a pretty hefty evaluation process. If they even get to me, they've got to be good. There's red flags about their communication, their dealing with ambiguity, that's when I'll like, "Yes. I know." We need to take a second look. Find someone else.

Dan: Got it. Got it. In real estate, you're engaging a service. It's probably pretty easy to kind of take a pass and just not call the property manager back again or say you went in another direction.

I'm curious, in the corporate hiring context, it's probably a little more difficult to say no in those twenty percent of the times, because three or four people have already put in so much work for you to now veto. That's kind of like there's a lot of pressure on the situation. But I'm curious how you tactfully take a pass on a candidate in a situation like that.

Camilla: Yes. I have to get alignment with all the hiring managers and then the rest of the team who interviewed, right? We talk about it. I bring up my concerns. We talk through it and understand.

As far as the candidate perspective, I think it's always important to have good relationships. I never want anyone to feel that we've ghosted them or that we just don't care about them. It's important for your brand to always - your corporate brand and my personal brand, Steady Stream Investments brand - be viewed in a positive light.

I want to make sure that I am very careful about the communication and relationships and to be transparent and honest with the candidates. I've gone to candidates before and I said, "Hey, looks like we're not going to be able to give you a job. But I want to give you some feedback. Here's how you can do better in your next interview. Here's some things that you could do."

One candidate, in particular, I told him "Don't stick your hands behind your head and lean your back like this during the interview."

Dan: Wow. Wow. That's incredible.

Camilla: Just some coaching, right? Because I'm all about coaching people to be their best. So that's what we do.

Then in the real estate context, right, if we interview a property management company per se or a lender, right, we'll go through our last deal. I think we interviewed ten lenders before we found the one that we really wanted to work with. We just make sure that we have the open and honest communication with them and just say, "Hey, we like your product. We like what you're doing. But the product over here, they were able to give us a little bit better terms on this." You can use it as negotiation leverage and things like that.

But just staying open and honest and keeping those relationships in a good place will open other doors for you down the road.

Dan: Is that what it looks like for the lender when you take a pass? You're just kind of like, "Hey, these ones kind of went with the better one. So we're going in that direction right now."

Camilla: Yes.

Dan: As simple as that?

Camilla: Well, we'll give them a bunch more of information. We'll talk to them more. Again, keeping the door open, because the next deal, they might be able to have the best one. We don't want to burn any bridges there.

Dan: Yes. That makes sense. I cringe at my own laziness.

All right. We're doing it. All right. Let's get to it. I like the terms. It's like, "Oh man, we didn't like this everything [?]." Now, it says, "Yes. I do not have ten lenders on my last deal that I interviewed and passed on."

That's a good sign if someone's investing money with you and the team that you, guys, are putting in the actual work. For me, it's a lack of time, not laziness. But I think for some people out there, it might be laziness. Maybe it's a form of laziness. So, "Sorry. We checked the box. Cool. Let's move on to the next one."

Now, all of the sudden-- me, metaphorically speaking. But I'm accepting maybe mediocre people in the team. Now, all of the sudden, that flashy brochure, well, the investment prospectus that I put out does not necessarily match the returns, because of the mediocre execution there. So hats off on that.

Camilla: Thank you.

Dan: The only other thing I thought about was my fear of liquidity personally and investing in these types of deals. I think you briefly touched on that early in our episode.

But if that were an investor's hesitation, I'm not going to be able to get this money out for five years, maybe even longer if the market is in the middle of another pandemic. When we go to sell it in five years, suddenly we're going to be in this big problem.

A lot of us real estate investors were shocked to the core and still are appalled but maybe not financially shocked, most of us who are dealing with COVID [inaudible] in situations where we can't even file evictions.

The story I've heard on the show and throughout my contacts in the different markets is that most tenants did the right thing, kept paying the rent, and a very small number did dig their heels in and take advantage of the situation and are staying there for a year, a year and a half. I think we have one house with a squatter that moved in. We can't do anything. They just broke into our house and were stuck. But overall, we fared pretty well.

But dealing with a passive investor's objection to being in the deal because of the non-liquidity, how would an investor get comfortable with that, Camilla?

Camilla: When I talk to investors about that, I think one of the things that I like to understand is their full liquidity picture, right? Because if you only have a hundred thousand dollars liquid in your account, I don't want you investing in my deal, because now, you've put yourself in a precarious position. Because you're right. This is not a liquid investment. It's not something that you can just simply get your hundred thousand dollars back whenever you want, right?

I always like to feel I'm a generous person and a helpful person. If there is some crazy family emergency two years in and you absolutely need your money, there might be a way to bring in a different investor to replace your money that you're in. But for the most part, you should just plan on it being in that project for that time.

Again, if your liquid position is not - I would say - at least, double what you are going to put into an investment, if you don't have at least fifty to a hundred thousand dollars in liquid reserves just for yourself, for your safety, for your family, to take care of yourself in emergencies, then I would say don't invest yet. You're not ready. Wait until you are ready.

As far as that liquidity goes, just remember this is an investment, right? You're not going to get returns like this with a liquid-type investment. You need to think of it as you're sending your money away for five years to work so dang hard for you and double in value so that you can reap those rewards in the end.

Think about the end the results, right? Just make sure your financial situation is stable before you go into an investment like this.

Dan: Yes. Speaking of stable financial situations, am I right in assuming that this is limited to accredited investors? Maybe you could define that and talk about that and confirm or deny what the case is?

Camilla: Yes. Typically, in multifamily syndications, the majority of them are limited to accredited investors only. If you haven't heard that term before, that simply means that you have one of two things. You either have a million dollars in net worth, or your personal income exceeds two thousand dollars a year for two years in a row or three hundred thousand dollars a year jointly with a spouse for two years in a row, right? That qualifies you as an accredited investor.

It's something to aspire to for sure, because all of a sudden, your investment opportunities just really open up. You can really accelerate your wealth building once you hit that status.

Now, if you're not quite there, right, don't stress. Don't worry. Don't beat yourself up and like, "Man, I'm not worth a million. I'm not a millionaire yet." That's totally fine, right? We can help you get there. We do have investments just like the one we just closed this week in Oklahoma. It's one that's open for sophisticated investors as well.

Now, a sophisticated investor's someone who doesn't quite hit that million-dollar net worth or not quite at the two-hundred-thousand-dollar income. There's not a certain number for sophisticated investors to hit. But I like to think about it as, well, your net worth should be, at least, around five hundred thousand. You should be making, at least, six figures to be able to invest.

The other qualification for sophisticated investor is that you can prove that you know what you're doing, right? You can prove that you have investment experience. If you have a couple of rental properties, right, then you can prove that you have experience in investments.

Now, if you just go to your financial planner and you give all your money to your financial planner and they invest it for you in mutual funds, that's not experience, right? That's just letting someone else do all the work.

The final requirement for a sophisticated investor is that you have a personal relationship with a member of the general partnership. How do you define personal relationship? Well, it's not that we hang out every Friday, right? It could be just simply that we've had a phone call. We've talked on the phone. We've gone over your investment goals, your financial situation to make sure that you're qualified and in a good spot to be able to invest.

If you feel you're in that pool and you're not quite there at the credit status to be able to do everything, you can reach out to me. We can have this conversation. I can talk you through what the different ways are to be able to invest as a sophisticated investor. Because there's definitely deals out there. They're just harder to find.

Dan: Yes. Good. Great. Great stuff. Perfect definitions there. I remember not being an accredited investor myself. It does not feel like that long ago for me personally. Knowing where I came from - history, background, alcoholism, drug addiction, almost destitute - then to be standing here today, you can become an accredited investor.

To your point, setting it as an aspiration and as an intention and then going to work for me sourcing as many deals as I could possibly source was definitely a big key to that. But there's for sure a path to get to becoming accredited and then chewing into this kind of a deal.

All right. We are just about at the top of the episode here, Camilla. I'm curious. Book recommendations, they don't necessarily have to be specific to real estate and passive investing. If they were inspirational to you, if you wouldn't mind sharing one or two of those for the listeners.

Camilla: Sure. I'd be happy to. I'm going to pull out-- okay. I don't know where it went.

There was one I read as a teenager actually that is still influential in my life today. It's called Getting Comfort Outside Your Comfort Zone. It was so influential that I always think about comfort zones all the time and think about here I am in my little comfort zone. If I stretch out of my comfort zone just a little - that's all you got to do, just a little bit - and try it, now, okay, you've done it once. You've done it twice. That becomes comfortable. It's just this ever-expanding, ever-evolving zone, right?

Because right now, I do large multifamily. Five years ago, I couldn't even fathom doing it. It scared me to death to call a broker. I was scared to talk to people about money. I was like, "Whoa. Would they even want to invest with me?'

Here I am today educating and helping people. It's like second nature like, "Yes. Absolutely. This is a great idea for you to invest passively. It's going to set your family up for so much success. You're going to create this cool impact." That was one that was really important to me.

The second one - I do have it right here - is called Who Not How. Who Not How is one I just recently read over the last year. It's all about if you want to grow and you have growth on your mind and you want something bigger, something better, think about not how you're going to get it. Think about who in your life is going to help you get there. It was so powerful for me.

Remember I talked to you about group projects? I hated those. Well, now, it's a complete mindset shift for me, because now, I'm like, "Oh, I want to go buy a luxury short-term rental. Well, who can help me buy a luxury short-term rental? Who can help me manage it and run it," instead of just looking at my own self and thinking, "Okay. Well, how the heck do I even figure out how to do this?" It's finding the people around you. Super powerful book.

Dan: Nice. Good stuff there. For the crown jewel of wisdom, we're going to take all the wisdom that you have now. You get to decide what you can tell your twenty-two-year-old self the day of closing on that first house hack.

Camilla: My twenty-two-year-old self. You know, it's a hard question, because I'm actually very happy with the pace and sequence of my real estate investing. Of course, it could have gone faster, right? I could have gotten into multifamily earlier. I could have done a lot more properties in a year than I did before. But I think that you evolve as a person.

But I would tell that twenty-two-year-old self that, "You're worth it," right? "You have what it takes to do really big things. It's okay to step out and do those big things."

I think my twenty-two-year-old self was worried to step out and be public about what I was doing. I was very reserved. I didn't want to feel like I was bragging about the investments that I was making and how they were going. I kept it very hidden and private. I think that twenty-two-year-old self could have benefited from more "whos" instead of trying to do all the house herself.

Dan: Nice. Well said. If listeners want to get some more information about you, Steady Stream Investments, where should they go?

Camilla: Yes. If you want to just jump to my website, steadystreaminvestments.com, I have a free course on there that's called Passive Investing Made Easy. Like I said, I'm all about educating the first-time passive investor how to get involved into a syndication.

That course actually includes a ten-year plan as well. If you want to set yourself up for some pretty awesome success, it's going to go through a ten-year plan of what you need to do to be able to get there and have a pretty nice net worth at the end.

Dan: Nice. All right. I had a blast. I got a ton of good information, a lot of stuff that's not even real-estate related but powerful for me personally.

I thank you. I thank you for coming on the show, Camilla. It's been a good time.

Camilla: You're welcome. Thanks so much, Daniel.

[music] **Dan:** Low-cost capital is the fuel of any volume real estate investment business. As a real estate investor, I am sure you're well aware of these two facts.

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In 2020, my house flipping business, Diamond Equity Investments, bought and sold two hundred and eighty-three houses. We've done one hundred and ninety-six so far this year-- well, mostly houses. A few were apartment buildings. We currently have one hundred and fifty-five more in our inventory. I share that to share the following three ways that you and I can do business.

One, if you are interested in having access to the best real estate deals in your market - in other words, access to deals you could buy at low enough prices to actually profit after renovating and reselling - go now to accessrealestatedeals.com.

Number two, accredited investors seeking double-digit returns can sign up for private mortgage investment opportunity emails at fundrehabdeals.com. That's actually funding our Diamond Equity Investment deals exclusively. No third-party investors or operators on those deals.

Number three, finally, I am always buying houses that I can flip and occupied apartment buildings with below-market rents. If you have a deal that fits that description in either Atlanta, Chicago, or the Philadelphia or Phoenix region, please send me an email with the details.

We are at the conclusion. Next up, we have Kenji joining us to discuss his strategy of building, renovating, and flipping large multifamily apartment buildings. I'll catch you and Ken on the next one, my friend.

Voice Over: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes, sign up at www.reidiamonds.com.

[End]